What If We Are Failing?

Towards a Post-Crisis Compact for Systemic Change

Jem Bendell

Asia-Pacific Centre for Sustainable Enterprise, Griffith Business School, Australia

> **Good people are good because they've come to wisdom through failure**
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> *William Saroyan, 1908–1981*

HAS THE UN GLOBAL COMPACT (UNGC) failed? This question deserves as much attention as the search for evidence of success, if we are to be rigorous in our evaluation. The celebrations in New York to mark the tenth anniversary of its founding were justified and important. However, as someone who held great hopes for this initiative when I discussed it with its founders over ten years ago (Bendell 2000a), I believe we need to think as freely, critically and ambitiously as we did back then if we are to ensure it evolves to meet the challenges of our time.

Success or failure depends on what one seeks to achieve. There are multiple aims for the UN, its member organisations, the corporate participants, and the individuals involved, but the stated objectives of the UNGC are:

1. Mainstream the UNGC principles in business activities around the world
2. Catalyse actions in support of broader UN goals, including the Millennium Development Goals (MDGs)[1]

The UNGC has become the largest and most international of voluntary responsible business and finance initiatives, with over 5,000 members. It is normal for people involved in innovative and well-intentioned activities to gather information to demonstrate the worth of what is being done and recruit more people to the cause. Yet growth should not be confused with success. And growth brings with it the need for more critical introspection. In this essay I argue that experience of the Western financial crisis makes it even more imperative that economic governance issues, hitherto peripheral to the focus of the Compact, must now become central to its future.

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1 All details of the UN Global Compact for this article were taken from www.unglobalcompact.org, 1 June 2009.

Considering the first goal, we remain far from the Compact's principles on the environment, labour, rights and corruption becoming mainstream in the operations of any business sector, in any nation. Global indicators on the state of the environment, labour practices, human rights and corruption are heading in the wrong direction. Statistics about increasing carbon emissions, rates of deforestation and forced labour, for instance, are also statistics about the effects of irresponsible or unsustainable enterprises.[2]

Considering the second goal of the Compact, it is sad to note that poverty still persists. Apart from a few successes, including Rwanda, Mozambique and Bangladesh, progress towards the Millennium Development Goals is slow, or even in the wrong direction.[3] At the current rate, sub-Saharan Africa will probably not meet the sanitation portion of the MDGs until 2105 (Naidoo 2007). Beyond the MDGs, the role of the UN in other world affairs has been shaken in the past decade. On security issues, controversy surrounded the invasion and occupation of Iraq. On economic issues, the UN continued to be sidelined, as the Group of 8 powerful nations has been augmented by a Group of 20 powerful nations in the shaping of global economic policy. These governments act in the interests of some, if not all, of their companies, so it appears that the private sector is not effectively demanding that their governments prioritise the UN system for addressing global economic issues.

This downbeat summary reminds us that the overarching objectives of the UN Global Compact, to mainstream the principles and galvanise business to support UN goals, currently appear unmet. Clearly these are aspirational goals, and it would be impossible to reach them in one decade alone. If we consider them unachievable, we could recall Sir Winston Churchill's comment that 'success is the ability to go from one failure to another with no loss of enthusiasm'. Yet let us for a moment believe that these goals are indeed achievable. For if we do that we can assess how current activities are likely to achieve those goals, or what else could be done. That invites us to reflect on and discuss our strategies for creating the scale of change embodied in the goals. For instance, is the strategy for the Compact to do much more of the same, with 5,000 companies growing to 5 million companies? On current rates of recruitment the Compact would have that many members in 10,000 years. But even if the rate of membership increases exponentially, that would not necessarily translate into achievement of the goals. Other change-strategies are required, ones that address the systemic reasons why enterprise and finance does not always embody the goals of the UNGC.

I became a supporter of the concept of the Compact when in 1998 I heard about it from the then head of the UN Secretary-General's Office, Georg Kell, while he was studying the way NGOs were influencing business, something I had become a specialist in. This conversation led Kell to write the foreword to my second book, in 2000, on the topic of collaboration for sustainable development (Bendell 2000b). Yet by 2003 I had become aware of growing criticism from across the UN system and civil society, that the Compact was privileging certain business interests. At that point I believed the Compact was playing a useful role, but that it needed to address the global issues that the UN is uniquely placed to address, particularly the way some companies affect the ability of member states to govern in the interests of their people. In a paper on the topic, I recommended new work programmes on how Compact members influence or conduct financial speculation, tax management and evasion, corruption, corporate

2 For a selection of data on these issues, see World Watch Institute 2009 and UNICEF 2009.

3 Official data collected by the UN Department of Economic and Social Affairs shows some progress in reducing overall numbers of people living in extreme poverty, yet many of the indicators are not improving (see UNDESA 2008). Data discussed at a meeting in Manila led participants to announce that the MDGs would not be met (see Lee-Brago 2009).

lobbying, monopolistic practice, electoral financing, rebel and civil war financing, third world debt, and consolidation of media ownership. In addition, I recommended that the Compact take measures so that its existence did nothing to undermine efforts to enhance mechanisms for mandatory corporate accountability, and even help its members to contribute to an enhanced accountability regime. In essence, I was arguing that 'learning to talk more broadly' about economic governance issues is key to achieving systemic change in markets in line with the Compact's two main goals (Bendell 2004).

It is understandable that some of the difficult issues have been avoided in the first decade, as attention focused on recruiting members and creating partnerships. Nevertheless, the Compact has done good work on anti-corruption, incorporating a new principle, and on cutting the financing of rebels and civil war. It has also supported the creation of the UN Principles for Responsible Investment, which address some investment issues, although not directly the problems with derivatives and speculation. It has also encouraged corporate lobbying for effective action from governments on climate change. These are not yet part of a comprehensive strategic approach to responsible business influence on economic governance, which now appears even more imperative after a financial crisis.

The Western financial crisis is a dramatic example of where people can seek to learn from failure. Five important lessons are relevant to the future of the compact. First, the financial crisis shows how devastating systemically irresponsible business practices can be to whole economies. Second, it illustrates once again the risks to the public of regulatory capture by certain business interests. Third, the crisis has revealed how there is no effective and accountable global public policy system for finance, with decisions in the hands of a few technical experts in central banks. Fourth, it highlights how voluntary responsible business initiatives have not effectively tackled the economic and political dimensions of responsible business practice, having been something of a sideshow to economic governance. Fifth, it highlights the inherent volatility of economic systems based on interest-bearing money creation through private banks.

Each of these areas has implications for corporate responsibility, and can therefore be part of the agenda of the Global Compact. It can begin a process by which different parts of society address economic governance issues and how responsible business can be a part of a transformation to more fair and sustainable forms of economic governance. Yet if the Compact is to work on economic governance issues effectively, another lesson should be learned from the crisis: the role of power in shaping our views. For years criticisms of the financialisation of the economy were being made from many different quarters, including the corporate responsibility community (Bendell *et al.* 2009). Yet these views, and the people who articulated them, did not have access to powerful initiatives such as the Compact. This may have contributed to the growth of a community of critics.[4] Principled leadership does not simply involve bringing people together, but also requires pushing in one direction even though it will cause some powerful people and organisations to push back against you.

The paradox we face today is that business executives are needed to become more involved in policy processes, yet at the same time, this generates new problems about conflict of interest. We urgently need clarity about the potential progressive role of business in policy negotiations about climate change, for instance. The Climate Savers initiative of the Compact is helping demonstrate to governments that many businesses want to see action. However, this will also legitimise further corporate involvement. To what effect? Unfortunately some business executives involved in the policy processes

4 For a review of some of the criticisms of the Compact visit globalcompactcritics.blogspot.com, accessed 28 May 2010.

are paid by companies who seek sectoral allocations of carbon, so that they would have cheaper carbon than other types of company. Such a policy would not help reduce carbon emissions. The emphasis on cap and trade, rather than carbon taxes levied on energy producers is also one that presents more opportunities to the finance industry, among other business interests (Dag Hammarskjöld Foundation *et al.* 2006; Bendell 2010). Given the critical importance of getting climate policies right, the way companies can be effective participants in economic governance policy processes is more key than ever. The management academe has traditionally not been very open to insights from political philosophy, yet important work is needed in the field to guide principled practice (Coen *et al.* 2010).

So has the UN Global Compact failed? It has failed to meet some of its specific objectives at this stage, yet its conveners and participants have succeeded in globalising the conversation about how business can play a positive role in society. It's now time to shift that conversation to how we can create more systemic change. Key areas for future attention include:

- Generating more accountable and sustainable economic governance[5]
- Harnessing business to communicate about global challenges and the need for responsible business and finance
- Developing insight into methods for creating systemic change for fair and sustainable economies
- Cultivating the character of executive statespersons to participate in global change processes in personally accountable ways
- Enabling the effective mobilisation of diverse constituencies on these work areas by continuing to make the Compact more open and accountable

The Global Compact has often been described as a learning initiative. The importance of learning from mistakes was emphasised by George Kell after the appointment of Chey Tae-Won to the board (Mr Chey had been embroiled in corruption scandals in his country):

> The fact that Mr Chey and the SK Group had demonstrated much willingness to learn from past transgressions was a key factor in the decision-making process. By all accounts, the SK Group, under Mr Chey's leadership, has emerged as a frontrunner in corporate governance in Korea. To the Global Compact, this is highly relevant and a sign of positive change in the spirit of the Global Compact principles. It also reinforces the notion of continuous performance improvement (Kell 2009).

The staff of the UN Global Compact have succeeded in creating a historic initiative with global reach. For it to have a positive future, let us assess its progress in light of the scale of the global challenges. Let us learn from the failure of economic governance. Let us learn by allowing ourselves to consider for a moment that the Compact might have failed. Let us learn from the possibility that we ourselves are failing to see uncomfortable realities because of our own careers and self-esteem. Because to learn about transforming our societies we must first be open to the idea that we might be failing ourselves. The pride one may feel at working with or within the United Nations, and representing one's institutions at that level, should not close our hearts and minds to a deeper exploration of whether what we are doing is truly enough and in time. The end of folly is the beginning of wisdom, which is the ultimate goal if learning is indeed the key benefit of participation in the UNGC. Such deeper exploration may lead us to develop a more ambitious agenda to co-create fair and sustainable economic systems (Bendell 2010).

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5 A more detailed discussion of the elements of this agenda can be found in Bendell 2004. How the Compact could influence other new economic governance mechanisms is covered in Bendell 2000.

Unless we learn to fail, we fail to learn. Ultimately, 'the only real failure in life is not to be true to the best one knows' (Hindu Prince Gautama Siddharta, the founder of Buddhism, 563–483 BC).

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Since 1995 Dr **Jem Bendell** has advised corporations, NGOs and the UN on responsible business, in over a dozen countries. In 1997 he co-authored the first book on innovative partnerships between business and NGOs, and has since written over 100 publications, including his latest book *The Corporate Responsibility Movement* (Greenleaf, 2009). He was instrumental in the creation of the Marine Stewardship Council and the Finance Innovation Lab. His early writings on NGO–business partnerships helped inspire the founders of the UN Global Compact to engage with business in new ways.

Asia-Pacific Centre for Sustainable Enterprise, Griffith Business School, 226 Grey Street, South Bank, PO Box 3370, South Brisbane, Queensland 4101, Australia

jb@lifeworth.com

www.griffith.edu.au/business/sustainable-enterprise